

Message Text

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PAGE 01 PARIS 37202 01 OF 03 161645Z
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LIMITED OFFICIAL USE SECTION 01 OF 03 PARIS 37202

E.O. 11652: N/A
TAGS: PLAB, FR
SUBJECT: THE BARRE PLAN AND THE LABOR SCENE

1. SUMMARY: DESPITE A 2-DAY STRIKE BY GAS AND ELECTRICITY WORKERS LABOR SCENE IS CALM, THEREBY REINFORCING GOF EFFORTS TO IMPLEMENT THE BARRE PLAN'S POLICY AGAINST REAL WAGE INCREASES. GOF IS MAKING SYSTEMATIC EFFORT TO INFLUENCE PRIVATE EMPLOYERS TO FOLLOW SAME POLICY. EMPLOYERS' ASSOCIATIONS SUPPORT GOF. BARRE PLAN'S NEXT CHALLENGE WILL BE OVER TIMING AND CONTENT OF NEGOTIATIONS OF CONTRACTS FOR 1977. HOWEVER, POLITICAL CONSIDERATIONS ARE DICTATING A CAUTIOUS ATTITUDE TO CGT AND CFTD WHICH GIVES A BOOST TO BARRE PLAN'S CHANCES OF SOME SUCCESS AS FAR AS WAGES ARE CONCERNED. END SUMMARY.

2. AS WE HAD ANTICIPATED GOF MADE THE UNPOPULAR DECISION OF REFUSING TO EXTEND FOR 1977 THE 1971 CLAUSE
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PAGE 02 PARIS 37202 01 OF 03 161645Z

OF THE LABOR CONTRACTS IN GAS, ELECTRICITY (EDF-EGF) AND MINING COMPANIES PROVIDING FOR A 2 PERCENT ANNUAL INCREASE IN REAL WAGES. ALL FIVE EDG-EGF UNIONS RE-ACTED IMMEDIATELY BY CALLING A STRIKE ON 14-15 DECEMBER SPECIFYING THE 2 HOURS ON EACH OF THE TWO DAYS INVOLVED DURING WHICH ELECTRICITY WOULD BE CUT. THE STRIKE WAS

SUCCESSFUL AND THE ELECTRICITY CUTS WERE LIMITED TO THE TWO HOURS ANNOUNCED IN ADVANCE THUS DEMONSTRATING UNIONS' SENSITIVITY TO PUBLIC OPINION.

3. UNION REACTION TO THE MINING COMPANY'S DECISION ON 13 DECEMBER CANCELLING SUBJECT CLAUSE WAS MODERATE. WHILE THEY CONDEMNED THE DECISION AS BEING IN VIOLATION OF THE CONTRACT, THEY IMPLIED THAT AT THIS POINT THEY WOULD DEFER ANY ACTION PENDING NEGOTIATION OF THE 1977 CONTRACT THEORETICALLY SCHEDULED FOR NEXT JANUARY.

4. ANOTHER SIGN OF LABOR MODERATION WAS DEVELOPED IN THE ST. NAZAIRE SHIPYARDS WHERE THE CGT-CFDT UNIONS CALLED OFF THE OCCUPATION OF A LARGE TANKER UNDER CONSTRUCTION TO SUPPORT DEMANDS FOR REAL WAGE INCREASES. NOTWITHSTANDING THIS VOLUNTARY UNION ACTION, THE SITUATION IN ST. NAZAIRE REMAINS TOUCHY BECAUSE OF THE TRADITIONAL MILITANCY OF THE RANK AND FILE IN THAT AREA. STILL ANOTHER SIGN OF MODERATION IS THE FACT THAT THE "PARISIEN LIBERE" IS NO LONGER ATTRACTING HEADLINES AND GENERALLY THE LABOR SCENE IS RECEIVING SECONDARY COVERAGE IN "L'HUMANITE".

5. IN CONTRAST TO THE FOREGOING, ANDRE BERGERON, THE FO SECRETARY GENERAL, WENT SO FAR IN COMMENTING ON THE GOF REFUSAL TO EXTEND THE 1971 CLAUSE ABOVE AS TO WRITE IN THE WEEKLY FO PUBLICATION THAT THE GOVERNMENT'S WAGE POLICIES ARE CREATING A CLIMATE OF FRUSTRATION WHICH COULD WELL REPRODUCE THE EXPLOSION OF 1968. THE PRESS AND THE COMMENTATORS TOOK NOTE OF THE BERGERON LIMITED OFFICIAL USE

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PAGE 03 PARIS 37202 01 OF 03 161645Z

STATEMENT BECAUSE IT CAME FROM A MAN WHO SHUNS ALARMIST ASSESSMENTS.

6. IN THE COURSE OF A LUNCH WITH UK AND US LABOR COUNSELORS (13 DEC), BERGERON INSISTED THAT THE SOCIAL PEACE WHICH HAD PREVAILED IN THE LAST 4 OR 5 YEARS WAS INDEED WELL WORTH THE PRICE OF THE 2 PERCENT IN REAL WAGES WHICH LABOR CONTRACTS IN THE PUBLIC AND NATIONALIZED SECTORS HAVE GUARANTEED. FURTHERMORE HE DISAGREED WITH THE PRIME MINISTER'S VIEW THAT THE FOREGOING ACTION REGARDING EDF-EGF AND THE MINES WAS INDISPENSABLE TO THE SUCCESS OF THE BARRE PLAN. THIS IS NOT TO SAY THAT BERGERON DOES NOT SUPPORT THE GOF ANTI-INFLATION DRIVE, BUT IN HIS OPINION GOF SHOULD NOT UNDERESTIMATE THE PATTERN OF SOCIAL PEACE WHICH THE LABOR CONTRACTS HAD ESTABLISHED UNTIL NOW.

7. BERGERON EXPLAINED, HOWEVER, THAT HIS PESSIMISTIC

VIEW SHOULD NOT BE TAKEN LITERALLY AND IN ANY EVENT HE
DID NOT MEAN TO IMPLY THAT THE RISK WAS IMMINENT. HIS
INTENTION WAS TO WARN GOF THAT IF THEY PERSIST IN

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PAGE 01 PARIS 37202 02 OF 03 161652Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04
NSAE-00 SIL-01 IO-13 DODE-00 PM-04 H-01 L-03 NSC-05
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LIMITED OFFICIAL USE SECTION 02 OF 03 PARIS 37202

RIGIDLY ENFORCING A POLICY OF WAGE RESTRAINT OVER A
LONG PERIOD OF TIME, THE RESULTING FRUSTRATION CAN BE-
COME EXPLOSIVE.

8. DESPITE THE HEAVY WORKER PARTICIPATION IN THE 2-DAY
EDF-EGF STRIKE (AVERAGING ABOUT 80 PERCENT) IT IS
DOUBTFUL THAT THE UNION LEADERS WILL MAKE A MAJOR
EFFORT TO CHALLENGE GOF'S SPECIFIC ACTION OF CANCELLING
THE 1971 CLAUSE. ACCORDINGLY, WE BELIEVE THAT BARRE
HAS WON THIS PARTICULAR ROUND AND HAS THEREBY STRENGTH-
ENED THE GOVERNMENT'S POSTURE IN SEEKING TO INTRODUCE
A WAGE RESTRAIN IN THE PUBLIC AND NATIONALIZED SECTORS.

9. BASED ON THE EXPERIENCE OF THE LAST 3-4 YEARS,
BARRE'S MAIN PROBLEM IN THIS CONNECTION CONTINUES TO
BE THE PRIVATE SECTOR, NAMELY HOW TO INDUCE PRIVATE

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PAGE 02 PARIS 37202 02 OF 03 161652Z

EMPLOYERS TO RESIST UNION DEMANDS AND FOLLOW THE BARRE PLAN'S GUIDELINE OF LIMITING WAGE ADJUSTMENTS TO COST OF LIVING VARIATIONS. GOF HAS MADE A SYSTEMATIC EFFORT TO PUT THIS MESSAGE ACROSS TO THE PRIVATE SECTOR RELYING FOR THIS PURPOSE ON THE CNPF, THE NATIONAL EMPLOYERS ASSOCIATION. ACCORDINGLY CNPF HAS SENT OUT A CIRCULAR LETTER TO ITS SEVERAL THOUSAND AFFILIATES SPELLING OUT IN CLEAR LANGUAGE THE ECONOMIC REASONS AND GOF EXPECTATIONS FOR HOLDING THE LINE ON WAGE ADJUSTMENTS. BARRE HIMSELF HAS USED EVERY OPPORTUNITY GIVEN TO HIM OR CREATED BY HIM TO PERSONALLY EXPLAIN TO MANAGEMENT THE RATIONALE BEHIND HIS INSISTENCE THAT LABOR COSTS AS FAR AS WAGES ARE CONCERNED BE MORE RIGOROUSLY CONTROLLED THAN IN THE RECENT PAST.

10. WHILE THERE IS REASON TO BELIEVE THAT GOF'S EFFORTS HAVE MET WITH SOME SUCCESS AS FAR AS MAKING MANAGEMENT AWARE OF THE IMPORTANCE OF A WAGE RESTRAINT INDIVIDUAL EMPLOYERS' ATTITUDES MAY CONTINUE TO BE AFFECTED BY THE IMPORTANCE THEY ATTACH TO LABOR PEACE NOT ONLY FROM THE POINT OF VIEW OF THEIR INDIVIDUAL BUSINESSES BUT ALSO FROM THE OVERALL VIEW OF THE POLITICAL CLIMATE IN THE COUNTRY. AWARE OF THIS PARTICULAR CONSIDERATION THE METAL INDUSTRIES ASSOCIATION (UIMM) IS PUTTING OUT THE WORD THAT IN THE PRE-ELECTORAL PHASE IN WHICH THE COUNTRY HAS ENTERED, THE PREMIUM IS NO LONGER ON LABOR PEACE. ON THE CONTRARY, AS THE 1968 EXPERIENCE HAS SO AMPLY DEMONSTRATED, THE POSSIBILITY OF LABOR AGITATION SHOULD BE WELCOME AS A FACTOR WHICH CAN REDUCE THE VOTES FOR THE LEFT. LABATT WAS TOLD BY A HIGH UIMM OFFICIAL THAT THE FOREGOING MESSAGE IS BEING PASSED OUT TO INDIVIDUAL EMPLOYERS BY WORD OF MOUTH FOR THE SPECIFIC PURPOSE OF PROVIDING A POLITICAL INCENTIVE FOR A FIRM STAND ON THE QUESTION OF WAGES TO HELP THE ANTI-INFLATION PROGRAM.

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PAGE 03 PARIS 37202 02 OF 03 161652Z

11. WITH REGARD TO THE PUBLIC AND NATIONALIZED SECTORS THE NEXT ROUND THAT GOF WILL HAVE TO FIGHT OR FINESSE IS THE TIMING OF THE NEGOTIATIONS FOR A 1977 AGREEMENT. THE GOVERNMENT'S STRATEGY IS TO TRY TO DELAY THESE NEGOTIATIONS AS MUCH AS POSSIBLE TO ALLOW FOR TIME FOR

THE BARRE PLAN TO REGISTER SOME EFFECT ON PRICES. THE
UNIONS ON THE OTHER HAND WILL BE PRESSING FOR NEGOTIA-
TIONS IN JANUARY. FORTUNATELY FOR GOF THERE IS A
PRECEDENT OF NEGOTIATIONS HAVING TAKEN PLACE AS
LATE AS

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PAGE 01 PARIS 37202 03 OF 03 161648Z
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LIMITED OFFICIAL USE SECTION 03 OF 03 PARIS 37202

MARCH AND APRIL. AN EXAMPLE WAS THE 1976 NEGOTIATIONS
FOR THE CIVIL SERVICE WHICH AT THE REQUEST OF THE
UNIONS AND ESPECIALLY FEN (NATIONAL EDUCATION) WERE
DELAYED UNTIL MARCH. FOR INTERNAL POLITICAL REASONS
FEN WANTED THE NEGOTIATIONS TO TAKE PLACE AFTER ITS
CONGRESS IN FEBRUARY. WE WOULD EXPECT THE GOF TO BE
ABLE TO DRAG THE TIMING OF NEGOTIATIONS WITHOUT TOO
MUCH CHALLENGE FROM THE UNIONS.

12. THE THIRD ROUND, HOWEVER, WHICH WILL CONCERN
THE CONTENT OF THE 1977 AGREEMENTS IS LIKELY TO BE
THE MORE DIFFICULT ONE BUT THE PRIME MINISTER'S LABOR
ADVISER HAS TOLD US THAT GOF DOES NOT LACK IDEAS
ABOUT WHAT IT WILL TAKE TO INDUCE AT LEAST THE

MODERATE UNIONS TO NEGOTIATE AND CONCLUDE AN ACCEPTABLE
AGREEMENT.

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PAGE 02 PARIS 37202 03 OF 03 161648Z

13. COMMENT: THE FOREGOING RATHER OPTIMISTIC PICTURE
OF THE LABOR SCENE AS IT RELATES TO THE BARRE PLAN
IS BASED ON THE SIMPLE FACT THAT AT PRE-ELECTORAL
PERIODS OF TIME POLITICS RATHER THAN ECONOMICS
SHAPES THE BEHAVIOR OF THE CGT-CFDT RADICAL UNIONS.
IT IS AN AXIOM OF FRENCH POLITICAL LIFE THAT UNIONS
WHICH SUPPORT THE PARTIES OF THE LEFT TRY TO KEEP THE
LID ON WORKER REACTIONS TO AVOID THE BACKLASH OF
LABOR AGITATION AND STRIFE. THE ONLY POSSIBILITY OF
CHALLENGE MAY COME FROM THE EXTREME LEFTISTS. CGT'S
SUCCESS IN COMBATTING SUCH EXTREME ELEMENTS IS WELL
KNOWN. CFDT, AFTER HAVING GONE THROUGH A LONG
EXPERIENCE OF TOLERANCE TOWARDS THESE EXTREMISTS,
HAS NOW ENTERED A PERIOD WHEN THESE ELEMENTS ARE
TREATED AS A THREAT TO CFDT'S UNITY AND IMAGE BOTH
WITHIN AND OUTSIDE LABOR CIRCLES.

14. IN CONCLUSION, AND AS FAR AS LABOR AND WAGES
ARE CONCERNED, THE BARRE PLAN'S PROSPECTS OF SOME
SUCCESS SEEM REASONABLY GOOD.

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